# EVALUATION REPORT

| TO: Executive Secretary<br>Suggestion and Achievement<br>Awards Committee | SUGGESTION NO.<br>79-282 | SUSPENSE DATE |
|---|---|---|

*INSTRUCTIONS: Please complete this form in detail to guide the Suggestion and Achievement Awards Committee in making a final determination of the merits of this proposal. Retain third copy.*

1. ACTION RECOMMENDED ☐ ADOPT ☒ DECLINE ☐ OTHER *(Specify)*:

DATE ADOPTED

2. REASONS FOR RECOMMENDATION *(If more space is needed, use plain paper)*

In order to fully evaluate this suggestion, a vacuum gauge was installed on an Agency test vehicle and monitored closely for several days during various traffic situations. The exercise revealed that during acceleration there is always a decrease in engine vacuum. The amount of decrease depends upon the suddenness and duration of acceleration. Maximizing engine vacuum at all times would therefore tend to increase efficiency of gasoline consumption. However, there was an insignificant and almost unmeasurable decrease in gasoline consumption of the test vehicle during the course of the exercise. This occurred in spite of concerted efforts on the part of the driver to maximize engine vacuum at all times, even to the extent that extremely slow acceleration was necessitated while proceeding uphill.

Our overall evaluation of this proposal reveals that insufficient benefits exist to justify installing vacuum gauges on Agency vehicles. Gasoline efficiency may best be obtained by exercising good driving habits, such as avoiding "jack rabbit" starts, accelerating and decelerating smoothly, staying within posted speed limits or existing traffic flows, and by proper engine maintenance as specified by the vehicle's manufacturer.

OL 9 2295a

3. TANGIBLE FIRST-YEAR SAVINGS *(Man-hours, material, equipment, etc.)*

4. INTANGIBLE BENEFITS *(See guide on reverse side of third copy)*

5. WHAT OTHER OFFICES, DIVISIONS, ETC. MIGHT ALSO USE THIS IDEA?

*(Use plain paper to continue report, if necessary)*

| DATE | SIGNATURE OF EVALUATOR *(Type name and title)* |
|---|---|
| | Chairman, Internal Suggestions Awards Panel, OL |

X1

FORM 244b USE PREVIOUS EDITIONS -77

EMPLOYEE SUGGESTION NO. 79-282 - REASONS FOR RECOMMENDATION

Although this suggestion is not recommended for adoption, the suggester's concern for energy conservation is nonetheless appreciated.

Distribution:
  Orig & 1 - ES/SAAC
         1 - OL/P&PS
         1 - OL/LSD

X1 OL/LSD/[redacted] (15 Oct 79)

ITLE OR SUBJECT OF SUGGESTION

SUGGESTION NO.
79-282

RESENT METHOD My suggestion relates to the conservation of gasoline. Auto drivers who ins to save gasoline should simply install and use a vacuum gauge on their auto tument panel in a location highly visible to the driver. Such a gauge when connected the engine intake manifold and conscientiously observed (driving in a manner which ps the vacuum pressure always maximum) will improve their mileage by at least 10 percent, some cases (mountainous driving) closer to 20 percent. If most motorists (or auto ilders) were to install and drive in response to such an instrument we would stantially reduce the national gasoline demand even before reducing the number of miles ven.

If this suggestion can be given widespread distribution (such as might be

SUGGEST. achieved in a Department of Energy public education campaign), then I believe t most of the driving public would work to carry it out. Just the concept of a ghly visible reminder of gasoline consumption would have an economizing effect on many ivers.

DVANTAGES

RM 244 3/76) USE PREVIOUS EDITIONS

E ______, IMPDET CL BY ______

] SECRET ☐ CONFIDENTIAL ☐ ADMINISTRATIVE INTERNAL USE ONLY ☐ UNCLASSIFIED (47)

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# ROUTING AND RECORD SHEET

SUBJECT: (Optional)

| FROM: | EXTENSION | NO. |
|---|---|---|
| EXECUTIVE SECRETARY<br>SUGGESTION AND ACHIEVEMENT<br>AWARDS COMMITTEE<br>915 AMES BUILDING | [redacted] | 79-282<br>DATE 7 June 1979 |

25X1

| TO: (Officer designation, room number, and building) | DATE RECEIVED | DATE FORWARDED | OFFICER'S INITIALS | COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.) |
|---|---|---|---|---|
| 1. [redacted] | | 6/11 | S | What does OL think?<br>Should we send DOE?<br>[redacted] |
| 2. | | | | |
| 3. | | | | |
| 4. C/LSD | | | | 1 to 4 Tom: Could you have someone evaluate this? What is the reason/safety of installing on official vehicles - we will ask Joe to have DOE evaluate later.<br>S |
| 5. | | | | |
| 6. | | | | |
| 7. C/P+PS | | | | |
| 8. | | | | |
| 9. | | | | |
| 10. | | | | |
| 11. | | | | |
| 12. EXECUTIVE SECRETARY<br>SUGGESTION AND ACHIEVEMENT<br>AWARDS COMMITTEE<br>915 AMES BUILDING | | | | P.S. You might want [redacted] at CD to comment as necessary. |
| 13. | | | | |
| 14. | | | | 9 2295 |
| 15. | | | | |

25X1

ARTICLE APPEARED ON PAGE A1-3

THE BOSTON SUNDAY GLOBE
23 September 1979

# Was the gas crisis nothing but a fraud?

By Fred J. Cook

The great "oil crisis" of the summer of 1979 may well go down in history as one of the greatest frauds ever perpetrated on a helpless people. The truth is that there was no shortage of oil.

President Carter's Sermon on the Mount on Sunday night, July 15, ignored the fraud. He insisted that the shortage was "real." To have admitted that it was not would have entailed an admission of the culpability of Big Oil and of President Carter's own recumbent Department of Energy (DOE).

The naive may say to themselves, "Why, this cannot be." So let's begin by citing some sources:

- A Federal Trade Commission study plies were up from 4 to 8 percent (depending on the month in which the comparison was made) during the first four months of 1979 over the comparable period in 1978.
- US Customs figures, independently verified by House of Representatives researchers, show that the "Iranian shortfall" so widely trumpeted to validate the "crisis" was a red herring, because imports of oil during the first five months of 1979 actually increased 10 percent over 1978.
- A world energy assessment by the Central Intelligence Agency shows that world oil production in the first quarter of 1979 was up despite the Iranian disruption; that US imports through May showed a big increase over 1978 figures — and that American firms, in this very time of supposed crisis, were actually exporting more oil than they had in 1978.

Let's explore some of this data in greater depth before getting into the questions of how and why the nation was thrown into chaos with gas lines sometimes miles long; with truckers staging a nationwide protest against the high price and scarcity of diesel fuel; with some farmers plowing under crops because they could not get trucks to transport them.

When President Carter came down from the Mount, he thumped the table in the Oval Office and announced that he was not going to permit the importation of a single gallon of oil more than we had imported in 1977. What the public and practically all of the commentators didn't know was that we imported so much oil in 1977 that Big Oil suffered acute glut pains and couldn't get those damned prices up.

The American Petroleum Institute is the official spokesman for the industry. Its figures are accepted without question by the Department of Energy because they are the only figures the DOE has. Other sources suspect that the Petroleum Institute's statistics often gild the lily for Big Oil, which is only to be expected. However, with this caveat, look at what the industry's own figures show: Total crude oil stocks in millions of barrels at year's end 1977 reached 339.859, a 19.1 percent increase over 1976. At year's end 1978, total stocks had dropped to 314.462, a decrease of 7.5 percent, bringing us into 1979 with a potentially short situation.

But, as in almost every facet of this story, things weren't what they seemed. In addition to the normal crude oil supplies, the federal government has established a Strategic Petroleum Reserve. Into this reserve, stored in salt domes in Louisiana, it has poured literally billions of gallons of imported oil; and the Department of Energy, with its usual efficiency, has dumped all that oil into the caverns without thinking about installing pumps to get it out.

If one includes the extra millions of barrels that were committed to this strategic reserve in 1978, the figures on the nation's total petroleum stocks, expressed in millions of barrels, read this way: 381.322 at end of 1978 compared with 347.689 at the end of that 1977 "glut" year. In other words, the nation came into 1979 with 9.7 percent more crude stocks on the market and in the reserve than it had had at the start of 1978, when the industry was moaning because it had so much oil it couldn't even get gasoline prices up to the permitted ceilings.

It is enough to make one ask; "What the devil goes on here?" What went on is [illegible] would expect to get a straight answer

from Dr. James R. Schlesinger's Department of Energy.

In January and February 1978, when I first began to poke my nose into the oil situation, I was intrigued and angered by the fact that No. 2 home-heating oil, which for at least half a century has been one of the cheapest products of the refineries, was selling at prices that made it more expensive than the more highly refined regular gasoline, once one discounted 12-cent-a-gallon state and federal taxes on gasoline.

My inquiries brought the reply from industry sources and from the DOE through my congressman that there was virtually a price war on for gasoline because there was so much of it. Heating oil, however, had been decontrolled in the last days of the Ford Administration; the homeowner, anchored in place by his furnace, couldn't shop around — and so he was zapped.

Given this untidy situation, Big Oil drew down stocks during 1978 and by late fall had created a situation in which there began to be alarming talk of shortages. Shell Oil led the way, imposing drastic cuts on the delivery of gasoline to its retailers; Mobil, Citgo, the whole tribe fell into line behind the force play. Retail gasoline dealers roared their outrage; there was a nasty flareback of damaging publicity; and, the big oil companies backed off for the moment, restoring deliveries to nearly normal.

Then, heaven sent, came the Iranian revolution, which closed down the oil fields. The myth of the "Iranian shortfall" was born. Actually, only 5 percent of our imported oil came from Iran, and this shortage was quickly offset by stepped-up production in Saudi Arabia, increased Alaskan supplies and lesser increases from other sources.

CIA figures show that Free World production, expressed in thousands of barrels daily, rose to 46,515 in the first quarter of 1979 compared with 46,305 in 1978. Customs figures, as recorded by the Census Bureau, show that imports through May

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increased 10 percent over those for the first five weeks of 1978. Indeed, the imports for these first five months of 1979 almost matched the levels established in the glut year of 1977.

The CIA in-depth study echoed the Customs Service's findings. It showed imports in the first five months of 1979 outstripping those of 1978.

The CIA assessment revealed another curious fact. In this 1979 year of "crisis," American firms actually exported more oil in every one of the first five months than they had in either 1977 or 1978. Exports ranged from 329,000 barrels daily in January to 445,000 barrels daily in both April and May. Yet in lush 1977, exports had ranged from only 192,000 barrels daily to 288,000.

The fact that we were actually exporting more oil in 1979 than we had in the two previous noncrisis years would seem to indicate manipuation of the market. This suspicion, shared by more than two-thirds of the American people, according to public opinion polls, is reinforced when one reads the Federal Trade Commission memo of May 30.

Reporting on a study made by the commission's staff, the memo said: "The data indicates, among other things, that gasoline supplies in 1979 were up by 4-8 percent, depending on the time period, over 1978's. Net supply of gasoline in April was particularly plentiful compared to the previous April (up by 22.9 percent). Significantly, however, every time period — month, quarter, third — shows increased supplies and no indication of a shortage."

Yet it was in late April and early May that the gasoline pumps in California suddenly went dry, beginning the drought that was to spread across the nation to New York, Washington, D.C., and cities in between. In a nation whose whole economy since World War II has been structured around networks of superhighways on which federal and state governments have lavished billions of dollars, panic struck, accompanied by frustration and fury.

The evidence establishes that none of this was necessary; it suggests that this was a "crisis" carefully orchestrated by Big Oil, aided and abetted by the complacent non-watchdog in the DOE. And even by President Carter himself — a President who has in his public pronouncements consistently followed the line set down by Big Oil.

Jack Andersen, the Washington columnist, has published excerpts from secret White House minutes indicating that President Carter deliberately cut back gasoline supplies to keep his pledge to other industrial nations that the United States would reduce oil consumption by 5 percent. At a May 7 meeting, just as motorists were queuing up for miles in California, Carter told his Cabinet: "Our priority will continue to be some heating, agriculture and emergency needs over highway driving ... There will be less gasoline, and it will cost more." Those last words confirm Jack Anderson's scoop. They match word for word the public Presidential refrain that all of us have heard for months: "There will be less gasoline, and it will cost more."

*Cost more!* That is what this scenario is all about. The Carter Administration for months has backed every move that would make gasoline and other fuel products more costly, on the theory that higher prices would "force" conservation. For months, the Administration talked about $1-a-gallon gasoline. Privately, it was scripting an even more brutal program.

Jerry Ferrara, the outspoken executive director of the New Jersey Retail Gasoline Dealers Association, described in a television appearance on July 2 how he and his associates had "pounded on every door" in Washington seeking the adoption of a more sensible policy. He said he had met face to face with Dr. Schlesinger, and he added: "He (Schlesinger) said that if gasoline got up to $2 a gallon by 1981, the American people would have to conserve. And then he walked out of the room."

Virtually every tactic imaginable has been employed by the oil companies to generate the atmosphere of shortages and crisis that would open the floodgates of price.

One of the most ingenious involved the stockpiling of crude and finished products on tankers dawdling at sea. Spokesmen for the maritime workers who man the tankers aver that big oil companies sent out word that their tankers were to steam at no more than 10 knots instead of the 16 to 17 they are capable of doing. "When tankers are reduced to 10 knots," one maritime spokesman says, "a voyage from Beaumont, Tex., to Boston that would usually take five days stretches out to nine. And when you have whole fleets of tankers out there, loaded with hundreds of thousands of gallons each, you are stockpiling a lot of stuff on the high seas." Not until the middle of June, another maritime spokesman says, did "one major oil company reverse its orders" and let its tankers steam at 16 to 17 knots.

The stall at sea has been matched by stalls in port. Turnaround time in port, which used to take from 16 hours to one day, now frequently stretches to two or two and a half days. Sometimes refineries say they have no cargo ready to ship; at other times ships loaded with refined products come into port and find storage tanks so full that there is no way to unload.

The stockpiling at sea and the delays in port are just a couple of the ploys that have helped to produce the oil panic of 1979. The oil industry, it would appear, had a couple of other even more important maneuvers up its sleeve. Justice Department anti-trust lawyers have been trying to find out why it was that just at this time of supposed shortages, domestic crude oil production in the United States went into its steepest decline in seven years. In a preliminary and relatively unnoticed report, Justice Department attorneys concluded that, from December through April, the falloff in domestic drilling had cost the nation some 11 million barrels of gasoline. Since there are 42 gallons to the barrel, that represents a lot of gasoline. This falloff in domestic production came at a time when oil company profits in the first quarter of 1979 were going through the roof.

While the companies were demanding price decontrol as a prerequisite for increased domestic production, first quarter profits at Exxon were already up 37 percent; Gulf's were up 61 percent and other majors like Standard Oil of Ohio were registering increases of more than 300 percent.

The drop in domestic drilling was accompanied by a second cutback, a reduction of refinery output. "That is where it all hangs out," one industry critic says. It does indeed.

Refineries capable of operating at 91 to 92 percent of capacity (this is virtually full-out considering inevitable maintenance delays) dropped their runs in this season of our travail to a bare 84 percent. The American Petroleum Institute itself acknowledged that, in the second week of June, refineries were operating at only 84.1 percent of capacity. The following week, the runs were stepped up to 84.5 percent—still far below capacity at a time when, all reliable evidence shows, crude stocks were in plentiful supply, waiting to be processed.

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lon in late spring 1978, has jumped in a year to more than [illegible] cents, with the prospect that it will be priced at between 80 and 90 cents this coming winter. Regular gaoline, which as late as February was selling at 59.9 cents (only a few cents more than untaxed heating oil), now sells for from 89.9 to 91 cents. Unleaded and super-unleaded (the latter needed in many cars to avoid damaging knocks from low-octane unleaded) have zoomed in price at some stations to $1.45 or more.

This brutal escalation, which puts Dr. Schlesinger's $2 gasoline in our immediate future, has been achieved through the delightful collaboration between Dr. Schlesinger's DOE and the oil industry.

All during 1978, when the gas glut made it impossible to sell gasoline at ceiling prices, individual gas station owners were allowed to "bank" the differential on their records. Came 1979, the "shortage," zooming OPEC prices; and, with frustrated motorists on gas lines willing to pay anything, those deferred, spurious "banked" sums were tacked onto the already zooming prices. As usual, the consumer got zonked.

The DOE has now ended this banking system, but prices have already been driven to levels from which it is almost certain they will never come down.

Summing it all up, one analyst in Washington observed: "The Department of Energy must be either the most stupid or the most influenced department the federal governemnt ever created. The only thing is, you would think that if they were just being stupid, they would make a mistake once in a while in favor of the consumer. But they never do."

ARTICLE APPEARED ON PAGE A1-9

THE WASHINGTON POST
22 September 1979

# U.S., Mexico In Accord on Natural Gas

By J. P. Smith
Washington Post Staff Writer

Breaking a nearly two-year-old deadlock, Mexico and the United States have agreed on a natural gas sale that could improve relations between the two countries and open the way for increased Mexican oil exports in the future.

While the amount of gas Mexico will be selling to the United States is small—only about half a percent of total consumption—President Carter said yesterday it represented a breakthrough in often-strained relations between the two nations. He also said it is "a significant step toward providing a new energy source for our country."

The agreement was reached yesterday in Mexico, capping six months of difficult and frequently interrupted talks.

Deputy Secretary of State Warren Christopher yesterday told reporters that the United States would pay $3.625 per thousand cubic feet for 300 million cubic feet of natural gas a day.

The price is the highest anywhere in the world for pipeline gas, though Assistant Secretary of State Jules Katz told reporters that because the amount of gas involved is so small, the effect on consumer prices will be "hardly noticeable." Once the gas starts flowing, it will amount to only 8 percent of the United States' total gas imports.

However, the two nations also agreed to tie the price to the quarterly increases in world crude oil prices. And the parties agreed that either may cancel the deliveries on 180 days' notice.

Christopher told reporters at a White House briefing that the gas deal was unrelated to President Jose Lopez Portillo's scheduled state visit next week.

In recent weeks, however, senior administration officials have been saying in private that Carter had asked State and Energy Department negotiators to move aggressively to get a deal before Lopez Portillo's visit.

Earlier this year Carter and former energy secretary James R. Schlesinger drew heavy fire from Congress for not completing the gas pact with Mexico.

In Mexico City yesterday, a high-ranking Mexican official told Washington correspondent Marlise Simons: "We got an agreement because the U.S. suddenly agreed to our final offers. It was as simple as that. We are very pleased."

The price Mexico will receive for its gas is the equivalent of $21-a-barrel crude oil but significantly less than the price of liquefied natural gas, which is more expensive by a dollar or more per thousand cubic feet.

One almost certain outcome of the deal with Mexico is that Canada, which now supplies the United States with significant amounts of gas, will raise its prices to match the Mexican price. Earlier this year Canada was selling its gas to U.S. pipeline companies at $2.16 per thousand cubic feet, but last August the price was raised to $2.80.

U.S. officials have said recently that they expect Ottawa's National Energy Board to boost Canada's prices to $3.30 per thousand cubic feet or more by January.

Christopher and other U.S. negotiators, includ-

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ing Katz, stressed that the United States and Mexico have negotiated "a framework." and that the actual sale will depend upon further details to be negotiated between the pipeline companies and Petroleous Mexicanos (Pemex), the Mexican state oil monopoly.

The agreement will not require the construction of a new pipeline. U.S. officials, however, say that if the amount of deliveries is increased sharply, Mexico will have to increase pipeline capacity.

The consortium of companies that will take delivery of the gas initially signed an agreement in August 1977, but that deal was rejected by Schlesinger because the administration believed the price was too high.

Under the 1977 pricing formula, the gas would now be flowing across the border at nearly $5 per thousand cubic feet.

The consortium is led by Tenneco and Texas Eastern Transmission, and includes Southern Natural Gas, El Paso Natural Gas, Florida Natural Gas and Transcontinental Gas.

There have been seven negotiating sessions on gas since Carter's February visit to Mexico. The United States at first demanded that the price be tied to America's domestic inflation rate, not to world oil prices.

Mexico wanted prices linked to petroleum product prices, such as those for middle distillate (heating) oil.

By Thursday both sides agreed to peg prices to a composite world crude oil price, details of which still have to be worked out by Pemex and the companies.

Another sticking point in the talks was Mexico's desire for an agreement that would allow Pemex to cancel deliveries on short notice.

U.S. officials stress that the gas sale depends upon how long Mexico continues to have a gas surplus. Under the agreement, Mexico is expected to earn about $1 million a day.

Unlike those in most oil exporting countries, Mexico's oil fields contain a high percentage of so-called "associated gas"—gas that is in effect produced along with oil. Petroleum engineers and the Library of Congress have argued that providing Mexico with an incentive to produce gas would be to U.S. advantage, becuse it would encourage increased oil production as well.

Mexico exports nearly a million barrels of oil a day, most of which flows to the U.S. market.

Central Intelligence Agency studies say that Mexico could boost its oil exports by as much as four million to six million barrels a day during the 1980s.